

## Message Text

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43

ACTION AF-08

INFO OCT-01 IO-13 ISO-00 EB-07 SS-15 SP-02 PM-04 INR-07

L-03 /060 W

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P 261130Z AUG 76

FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC PRIORITY 1641

LIMITED OFFICIAL USE MONROVIA 6076

STADIS////////////////////////////////////

DEPT PASS USMISSION GENEVA

GENEVA FOR AMBASSADOR CARTER

E.O. 11652: N/A

TAGS: BEXP, EFIN, LI

SUBJECT: EXIM DECLINATION TO FINANCE PRESIDENTIAL AIRCRAFT

REF: (A) STATE 208302, (B) MONROVIA 5824 (NOT SENT GENEVA)

1. WE SOMEWHAT CONCERNED OVER IMPLICATIONS OF EXIM DECISION RE  
MCDONNELL DOUGLAS APPLICATION FOR FINANCING AIRCRAFT FOR GOL AND  
WISH MAKE FOLLOWING COMMENTS.

2. WITH REGARD EXIMB'S FIRST REASON (QTE LIBERIA'S LIMITED  
CAPACITY TO SERVICE EXTERNAL DEBTS UNQTE) WE FEEL THAT EXIM  
IS NOT FULLY INFORMED ABOUT LIBERIA'S CAPACITY TO SERVICE  
EXTERNAL DEBT. IN PURSUING CONSERVATIVE FISCAL POLICY GOL  
WITH FEW EXCEPTIONS HAS IN RECENT YEARS CONTRACTED ONLY SOFT  
LOANS ON CONCESSIONAL TERMS. ALTHOUGH PAYMENT ON EXTERNAL  
DEBT THIS YEAR IS \$22.9 MILLION, THIS WILL DROP TO (10.9 MILLION  
IN 1980 (SEE MONROVIA A-54 OF AUGUST 17). IN VIEW OF FOREGOING  
U.S. BANKS ARE ANXIOUS TO EXTEND EURODOLLAR LOAN TO GOL TO  
FINANCE DEVELOPMENT PROJECTS FOR WHICH EXTERNAL SOFT LOANS  
ARE UNAVAILABLE. NEGOTIATIONS ARE CURRENTLY BEING HELD WITH  
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SEVERAL BANKS AS REPORTED IN MONROVIA 5819. MOREOVER, GOL

HAS BEEN HIGHLY SUCCESSFUL IN INCREASING ITS REVENUES RECENTLY, ESPECIALLY BY RENEGOTIATING CONCESSION AGREEMENTS. EMBASSY THEREFORE BELIEVES THAT GOL IS FISCALLY CAPABLE OF FINANCING PURCHASE OF AIRCRAFT.

3. ON SECOND POINT, WHILE WE UNDERSTAND HESITANCY IN FINANCING QTE LUXURY UNQTE ITEMS, EXIM APPARENTLY OVERLOOKING COMMERCIAL USE TO WHICH GOL PLANS PUT AIRCRAFT. IN FACT, COMMERCIAL UTILIZATION MAJOR CONSIDERATION IN GOL THINKING. AS REPORTED PARA 3 REF B, IN MOST RECENT CONVERSATION WITH COMMATT, FINMIN PHILLIPS STATED THAT PRESIDENT HAD SAID THAT HE WOULD APPROVE PURCHASE OF JET AIRCRAFT ONLY IF COSTS DID NOT EXCEED AMOUNTS CURRENTLY BEING SPENT FOR CHARTERING AIRCRAFT FOR PRESIDENTIAL TRAVEL. IN OTHER WORDS, COMMERCIAL OPERATION (CARGO USE CURRENTLY ENVISIONED) OF AIRCRAFT WOULD PAY FOR ACQUISITION AND OPERATING COSTS AND OFFSET COSTS OF OCCASIONAL USE BY PRESIDENT. DEPARTMENT MAY RECALL THAT MAJOR FACTOR IN GOL DECISION IN 1975 TO SELL THE PRESIDENTS' G-II WAS THAT IT WAS INFREQUENTLY USED AND TOO EXPENSIVE TO BE SITTING ON THE GROUND MOST OF THE TIME. GOL DOES NOT WANT TO REPEAT THIS MISTAKE, AND THEREFORE IS INSISTING THAT WHATEVER PLANE IT ACQUIRES MUST BE CONVERTIBLE TO COMMERCIAL USE.

4. THE BROADER IMPLICATIONS OF THE EXIM ACTION ARE OF GREATER CONCERN TO THE EMBASSY. ASIDE FROM THE LARGE AMOUNTS OF TIME AND EFFORT THAT HAVE BEEN EXPENDED IN PROMOTING THIS PARTICULAR SALE, THE EMBASSY IS ACTIVELY ENGAGED IN PROMOTING OTHER SALES ON THE ASSUMPTION THAT APPLICATIONS FOR SALES TO LIBERIA WOULD BE LOOKED UPON FAVORABLY BY EXIM. (IN THIS SPECIFIC CASE OF AIRCRAFT EMBASSY ASSUMED, PERHAPS NAIVELY, THAT SINCE PREVIOUS PRESIDENTIAL AIRCRAFT WAS FINANCED THROUGH EXIM AUSPICES WITH SATISFACTORY RESULTS THERE WOULD BE LITTLE PROBLEM WITH THIS ONE.) IN ITS PROMOTIONAL EFFORTS, EMBASSY FREQUENTLY POINTS TO RECENT EXIM FINANCING HERE, AND CITES SUCH FINANCING AS AN ATTRACTIVE FEATURE IN PURCHASING U.S. PRODUCTS. IF EXIM HAS INDEED CHANGED ITS POLICY TOWARD FINANCING SALES TO LIBERIA, WE SHOULD OBVIOUSLY PLAY DOWN THIS ASPECT.

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5. COMING PARTICULARLY AT THIS TIME WHEN THE USG IS INCREASING ITS LOAN (AID) COMMITMENT TO LIBERIA AND EMPHASIZING THE TRADITIONAL AND GROWING COMMERCIAL TIES BETWEEN THE TWO COUNTRIES, WE FEARFUL THAT IF EXIM RATIONALE CITED REF A WERE TO BECOME KNOWN TO GOL, IT WOULD HAVE SERIOUS POLITICAL AND ECONOMIC REPERCUSSIONS. THIS COULD BE PARTICULARLY SENSITIVE SINCE IN THIS CASE THE PURCHASER IS THE GOL ITSELF. WE THEREFORE MUST HAVE FURTHER CLARIFICATION OF EXIM POLICY TOWARD

SALES IN GENERAL TO LIBERIA.

6. ACTION REQUESTED: PLEASE PROVIDE ASAP EXIM COMMENTS ON POINTS RAISED THIS MESSAGE AND FULLER CLARIFICATION OF EXIM POSITION RE LIBERIA. IF DEPARTMENT AGREES WITH EMBASSY'S POSITION, ALSO SUGGEST THAT DEPARTMENT APPROACH EXIM TO POSSIBLY RECONSIDER DENIAL OF PRELIMINARY COMMITMENT TO MCDONNELL DOUGLAS.

7. FYI: WHILE WE CONSIDER POSSIBLE SALE OF U.S. AIRCRAFT TO GOL IMPORTANT (AND PROBABLY NOT POSSIBLE WITHOUT EXIM FINANCING), EMBASSY STILL NOT SURE HOW SERIOUS GOL IS IN THIS SPECIFIC PURCHASE. WE MUCH MORE CONCERNED ABOUT POSSIBLE WIDER IMPLICATIONS OF EXIM POSITION.  
HORAN

NOTE BY OC/T: NOT PASSED GENEVA.

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESIDENT, AIRCRAFT, LOANS, FINANCIAL PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 AUG 1976  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Film Number:** D760326-0004  
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